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(1) Poll: Popularity of Fukuda gradually rising as LDP
presidential candidate

MAINICHI (Page 5) (Full)
April 4, 2006

The popularity of former Chief Cabinet Secretary Yasuo Fukuda, who has remained silent on whether he will run in the Liberal Democratic Party (LDP) presidential race, is now gradually ascending. According to the results of an opinion poll Mainichi Shimbun conducted April 1-2, 36% favored Chief Cabinet Secretary Shinzo Abe as a successor to Prime Minister Junichiro Koizumi, and 18% supported Fukuda, greatly reducing the gap. The survey showed that Abe was most popular among LDP supporters. Those who do not support the Koizumi cabinet due to its Asia diplomacy are strongly hoping that Fukuda will assume the LDP presidency. He seems likely to become an anti-Koizumi presidential candidate.

The January poll found that 38% favored Abe and 10% backed Fukuda. Fukuda recently told his aides: "The prime minister did not think that China and South Korea would have opposed him this much. He was too optimistic." He has distanced himself from Koizumi over Asia policy. Last month in Seoul, he held talks with South Korean President Roh Moo Hyun. In the talks, he stressed the importance of repairing the strained bilateral relations.

A senior Mori faction member commented on Fukuda's gaining popularity:

"In addition to the resignation of Minshuto (Democratic Party of Japan) President Seiji Maehara, support from business circles has moved to Mr. Fukuda because relations with China and South Korea have deteriorated (under the Koizumi government)."

In fact, 28% of those who do not support the Koizumi cabinet favored Fukuda, while 19% backed Abe. Another reason is probably because DPJ lawmakers, included in a list of choices in the previous poll, were excluded from a list of options for the latest survey. Among DPJ supporters, 33%, a sharp rise from the

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previous 9%, supported Fukuda, while 29%, almost the same as the previous figures, backed Abe.

However, 53% of supporters of the Koizumi cabinet and the LDP favored Abe. With the presidential election coming up in September, Abe has become a regular favorite.

Meanwhile, Foreign Minister Taro Aso and Finance Minister Sadakazu Tanigaki came in a distant third and fourth with 3% and 1%, respectively. Commenting on the narrowing gap between Abe and Fukuda despite Abe being regarded as the strongest post-Koizumi contender, a senior Niwa-Koga faction member said, "The election will likely be contested between Mr. Abe and Mr. Fukuda." This view is gaining ground in the LDP. Given the situation, supporters of Aso and Tanigaki have become increasingly alarmed.

(2) Interview with Deputy USTR Bhatia: US presence will become more important in terms of trade and investment if economic integration is achieved in East Asia

NIHON KEIZAI (Page 8) (Full)
April 4, 2006

The United States government has begun to take a different viewpoint toward the East Asia region, where moves are afoot for economic integration. The Nihon Keizai Shimbun interviewed Deputy US Trade Representative (USTR) Karan K. Bhatia, an official in charge of trade policy toward Asia, to ask his views about why Washington has begun to change its points of view.

-- What was the main purpose of your visit to Asian countries in late March?

"Some persons have lashed out at the Bush administration allegedly for its lack of interest in economic policy toward East Asia. In a move to dispel such criticism and to demonstrate our positive engagement in the region, I visited there. Sub-cabinet-level officials from US government offices have held a weekly strategic meeting on economic policy toward Asia at the White House. There are no other regions but Asia on which the US has

placed this great an economic emphasis.

"We want to see the US economy deftly incorporated into the activities of the region, which has achieved remarkable economic growth. We will double our efforts to build a deeper and stronger relationship with Asia as our essential trade and investment partner."

-- Specifically?

"The US has agreed to launch negotiations on concluding a free trade agreement (FTA) with South Korea and will also soon start negotiations with Malaysia. We are also going to accelerate negotiations with Thailand. The US aims to conclude a comprehensive accord with the Association of Southeast Asian Nations (ASEAN). With countries other than FTA candidates, we will establish a new framework to promote policy dialogue."

-- US Ambassador to Japan J. Thomas Schieffer referred to the possibility that the US and Japan would conclude an FTA. Is there any specific plan?

"For now, the US government has yet to lay out any specific plan

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on signing an FTA with Japan. Compared with the other countries with which FTA negotiations are underway or are being planned, Japan and the US have established far closer economic ties. FTAs are not designed to measure the depth of bilateral relations. In working out policy toward Japan, I think Washington should focus on policies in specific sectors."

-- How about the roles to be played by Japan and the US in East Asia?

"Economic partnership between Japan and the US serves as a cornerstone in the construction of a large edifice called the East Asian economic zone. In addition to economic considerations, Japan is a partner that shares such values as the rule of law, democracy, and the market economy."

-- In our eyes, the US seems less interested in formulating economic policy toward Japan now that there are no major trade disputes between the two countries.

"There are many tasks the two countries should tackle. By using the framework of Japan-US deregulation talks, we want to gradually present visible results. In the deregulation talks, we have continued low-profile but important work, as though we are stacking bricks. Promoting bilateral economic talks between mature countries like Japan and the US is more difficult than abolishing tariffs. In such talks, we have given priority to such sectors as insurance, financial services, transparency in import restrictions, pharmaceuticals, and telecommunications."

-- Aren't you concerned about the possibility of the US being excluded from economic integration in East Asia?

"The US welcomes economic integration in the region. We will continue to support regional integration as long as trade barriers are removed, an investment environment is created, and deregulation is steadily promoted. There is little possibility that the US will be excluded from the process of integration. Should a single market be formed in the region, the presence of American firms and the US market will become more important for Asia. Economic integration in East Asia will contribute to further strengthening US engagement in the region."

(3) US secretary of commerce calls for Japan-US cooperation on Chinese currency revaluation

NIHON KEIZAI (Page 9) (Full)
March 31, 2006

Visiting US Secretary of Commerce Carlos Gutierrez gave an

interview to the Nihon Keizai Shimbun in Tokyo yesterday. During the interview, the commerce secretary expressed his intention to work with Tokyo to urge Beijing to raise the value of the yuan. He noted, "The yuan is a common matter of concern for the Japanese and US economies." He thus indicated a perception that the revaluation of the yuan is imperative for the correction of the US trade deficit. He also called on the Japanese government to reinstate the beef trade at an early date.

Secretary Gutierrez pointed out, "It is true that there are

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doubts about whether the value of the yuan is correctly assessed." He called for a further revaluation of the yuan, quoting the introduction of a bill by influential US senators

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that would impose sanctions on China.

Noting that the US trade deficit is closely connected with the exchange rate of the yuan, Gutierrez explained that the major cause of the US current-account deficit, which rose to a new high, is its deficit in trade with China.

(4) US asks Japan to join Megaport Initiative; Eager to install nuclear detector at Nagoya port as counterterrorism measure

CHUNICHI SHIMBUN (Page 3) (Full)
April 4, 2006

Washington, Kyodo

The Bush administration has sounded out the Japanese government on joining the Megaport Initiative to deploy radiation and nuclear material detectors at major international ports handling US-bound containers and cargo with the aim of blocking nuclear material that could be used in making nuclear weapons and dirty bombs from entering the United States, US Department of Energy and Japanese government officials revealed yesterday. Talks are underway behind the scenes between the two governments on a plan to conduct testing at Nagoya Port.

Since 9/11, the US has expanded its domestic-port-centered defense line to include foreign ports for preventing nuclear terrorism in the country. Four countries, including the Netherlands, have joined the Megaport Initiative. Envisioning a full-fledged implementation of the initiative in Japan, an essential cargo base connecting Asia and North America, the US intends to deploy nuclear detectors at Nagoya, Tokyo, Yokohama, Kobe, and other major ports in Japan.

The Bush administration apparently also hopes to block North Korea, which has been operating a covert nuclear weapons program, from shipping nuclear-related materials to a third country.

Nagoya Port has surfaced as a candidate site for testing because it handles North America-bound cargo that is mostly connected with automobiles that have only a few uncertainties (such as the detector to cause malfunction), according to Japanese and US officials.

The US intends to deploy detectors developed by a US nuclear research institute at major ports to screen US-bound containers and cargo to block nuclear smuggling. Once a decision is made to install a detector, US government experts are expected to visit Japan to provide technical training along with US customs officers who have been working at major Japanese ports.

Because the detector is highly sensitive, malfunctions could occur occasionally. For this reason, technical talks are underway between Japan and the US.

Nagoya Port Administration Management Union refers to "global trend"

A senior Nagoya Port Administration Management Union official commented on the US request to test the Megaport Initiative at Nagoya Port, saying, "We have not heard anything from the central government." Given the fact that a number of countries including China, a major cargo handler, have basically agreed to the

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deployment of detectors, another senior union official described the requested testing as part of a global trend.

Japan's largest container terminal is under construction at Nagoya Port, which has handled the largest volume of cargo in the nation the past four years. General Affairs Manager Yoshiyuki Kumazawa said: "How the use of a detector for screening cargo could affect stevedoring work and other port services remains unknown. We will work hard to collect information."

(5) Seiron column by Satoshi Morimoto: Japan needs to construct a forward base in Guam to put the Japan-US alliance on an equal footing

SANKEI (Page 11) (Slightly abridged)
March 31, 2006

By Satoshi Morimoto, professor at Takushoku University

The primary aim is to pursue closer cooperation

The United States is transforming its military in order to respond swiftly and flexibly to threats from Islamic terrorists, as well as China's rise, by restructuring its forces on a global scale.

The Asia-Pacific region ranging from the Middle East and the Gulf to South and East Asia is one that the United States has a strong interest in. The region is also important in terms of America's national interests. Since the beginning of this century, the US has perceived the region to be critically important for the stability and prosperity of the international community.

The US is reinforcing its forward deployment centering on naval power in the region and turning bases in Japan and Guam into important strategic points of military action. While utilizing the vital force of its ally (Japan), the US is pursuing plans for the realignment of its forces and bases in the region.

The US plans to transfer an Army headquarters from the West Coast to Japan to link joint operations capabilities of Japan and the US and to strengthen the forward base functions of the carrier-borne task force based at Hawaii. The US also plans to link its Air Force's command and operational functions, as well as to move the functions of command and logistic support of the US Marines to the forward base in Guam.

This realignment will help make the Japan-US alliance even closer. This is vitally important for the security of Japan as well. In the ongoing US military transformation, the most important challenge facing Japan is to make a decision on the divisions of the roles, missions, and capabilities of Japan and the US. The roles, missions, and capabilities involve a broad range of areas, including missile defense (MD), which Japan has not handled in the past, measures against international terrorism, international peace cooperation including humanitarian reconstruction aid, maritime stability, search and rescue, and also logistical support. Following the division of roles, Japan will have to set a detailed procedure for bilateral cooperation and implement it.

In addition, Japan needs to smoothly pursue the procedures for the planned transfer of troops and bases of US forces in Japan

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(USFJ), commonly called realignment. The plans have been laid out as part of the ongoing global US military transformation. Public attention in Japan tends to be focused on USFJ realignment, but the US military transformation has far greater significance in terms of the nature of cooperation under the Japan-US alliance.

Japan needs to shift its previous thinking

The focus of attention in Japan is centered on the planned construction of an alternate facility for the US military's Futenma Air Station and the planned transfer of US Marines to Guam. It is advisable for the Japanese government to come up with a flexible response to the Futenma issue, or the stable use of US bases in Japan would become impossible. Washington expects Tokyo to display strong leadership in dealing with the Futenma issue. This issue is a domestic political task Japan must accomplish.

On the other hand, the US has a much stronger interest in the cost-sharing concerning the transfer of Marines from Okinawa to Guam. Based on its estimate of the relocation cost at 10 billion dollars, the US has asked Japan to pay 75%, but this estimate and Japan's share need to be closely scrutinized in the coming days.

However, it is only natural for Japan to pay a portion of this cost from the perspective of reducing the burden on Okinawa as well as facilitating the process of the US military transformation. From a strategic point of view, cost sharing is a tool to make Japan's alliance with the US much closer, so splitting the cost fifty-fifty seems to be a persuasive approach.

In addition to this, it is advisable for Japan to establish a new Self-Defense Forces (SDF) facility in Guam as a base for the forward headquarters of the Joint Staff Office (JSO) and an SDF unit to be stationed there so that the SDF can conduct joint drills with the US forces, as well as independently carry out training at its own facility.

The Ground Self-Defense Force (GSDF) and the Air Self-Defense Force (ASDF) carry out joint drills at the (US) base in Guam, but if Japan can use Guam as a permanent training and operations base of its own, it is reasonable for Japan to increase its share of the cost for the construction of facilities necessary for that purpose.

Significance of having a Japanese base in US territory

If this were realized, Japan would be able to use Guam as its own operational base or distribution hub for disaster relief like at the time of the Sumatra earthquake and the subsequent Indian Ocean tsunami, as well as for peacekeeping operations and humanitarian reconstruction assistance and other relief efforts. If the base were equipped with port functions enabling transport planes or ships to be stationed, SDF troops would be able to engage in activities more effectively. In this regard, it would be necessary for Japan to conclude a new status of forces agreement with the US so that SDF troops can be stationed in Guam.

The Japan-US alliance must be one on an equal footing. Given the current US military presence in Japan, it is little wonder that Japanese troops will be stationed in the US. This idea would help resolve the imbalance and inequality of the current Japan-US alliance.

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What is more important for Japan is to translate into action the idea of setting up in US territory a new strategic base enabling Japan to engage in activities that will contribute to the peace and stability of the Asia-Pacific region. Japan needs to consider using the US military transformation to benefit its own national security, even though the transformation serves US national interests. This sort of thinking is important from the perspective of Japan's international contributions and security.

(6) US concerned about chilly Japan-China relations; Yasukuni Shrine issue undermining Japan's soft power

NIHON KEIZAI (Page 5) (Full)
April 3, 2006

By Editor-in-Chief Naoaki Okabe

Relations between Japan and China remain cold despite their continuing efforts to search for ways to repair their strained ties. A gap in their views of wartime history has cooled their relations, and it is true that the major cause of the current friction has been Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine.

US experts have been focusing on the rise of China, but they are now beginning to view the prolonged cooling of US-China relations with apprehension. The US cannot accept the idea of being excluded from the East Asian Community initiative. It will be troublesome if the standoff between Japan and China destabilize Asia, a growth area. US experts are now focusing on such issues as how Japan's diplomacy will change during a post-Koizumi administration, which will determine the future of Asia, too.

Harvard University Professor Joseph Nye (former US assistant secretary of state) categorically said, "The prime minister's

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visits to Yasukuni Shrine will mar Japan's soft power." He continued: "His Yasukuni visits will not hurt the US people's feelings, but such visits remind Chinese and South Korean people of the hard times they experienced in the 1930s. Young people are fond of Japan because of its pop culture, but their feelings toward Japan will become just the same as those of the 1930s. The prime minister's determination to visit Yasukuni Shrine in view of the domestic political situation will mar Japan's soft power." When Professor Nye came up with the idea of soft power in 1990, he had the US in mind. At the time, its power was showing signs of waning. The US has another power that is invisible, neither military power nor economic clout. It attracts people not forcibly but naturally. The professor said that Japan now has that power source.

Such power includes traditional culture and the pop culture that makes up the "gross national cool" that attracts young people in the world. For Japan, this also includes its non-military cooperative stance.

If Japan's soft power is undermined due to the prime minister's repeated visits to Yasukuni Shrine, it will be a grave situation.

Nye warned: "Both Chinese and Japanese leaders might be trying to obtain some kind of nationalistic support by criticizing the other party. It is dangerous if such an attempt goes beyond the scope hypothesized by the leaders of the two countries and

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becomes uncontrollable. The US does not want to see relations between Japan and China become hostile." The strained Japan-China relations are giving a headache to the US.

Wall Street has expectations for China's growing economic strength, but it also has complicated feelings. Goldman Sachs International Vice Chairman Robert Hormats defines China's economic growth "as the third wave, following the recovery of Europe and Japan's economic development, in the postwar period." He also takes this view: "It will become necessary for China to set aside funds to meet domestic demand. Given the fact that China has historically not pursued expansionism, I do not think it will become a military threat."

Hormats also turns his attention to the current strained relations between Japan and China. He said:

"The energy sector is a matter of concern. Japan and China both

desire energy resources, and abundant sources lie beneath the East China Sea. The key is whether Japan and China will be able to cooperate on this issue. There is a potential for tension between the two countries over the issue."

Some experts have doubts about the future of China. Columbia University professor Jagdish Bhagwati takes this view:

"There are two uncertain factors (for the future of China). First is the vulnerability of China's banking sector. That is why there is a lot of waste in its economic system. Second is its totalitarian political system. Should those in the middle class gain more influence, they will begin to call for political freedom. In such a case, China will become unstable."

Bhagwati expects changes in the dynamics in Asia, adding India as a growing power. Bhagwati, who was born in India, makes the following analysis on what effects a cool relationship between Japan and China will have in Asia:

"If I were a Japanese businessman, I would diversify my investments in different countries if the Chinese government became hostile to Japan. China is not the only low-wage country in the world. Once wages in China increase as a result of its rapid economic growth, global attention will turn to India for its plentiful workforce. It has two advantages in that its people speak English and it is a democratic country. Prudent investors will diversify their portfolios in different countries."

If chilly Japan-China relations continue due to historical issues, this might also affect Japan's relations with other countries. Should the prime minister continue to visit Yasukuni Shrine, which enshrines Class-A war criminals, it is possible that Japan-US relations could also deteriorate.

Beef imports and US force realignment issues are now pending between Japan and the US. The US and Europe are taking a united front in dealing with Iran over its nuclear programs. Japan, however, is taking a slightly different stance. Even the moderate professor Nye commented:

"Japan is worried about the impact of the Iranian nuclear issue on its crude oil imports, but Japan can purchase crude oil in the international market. Should the Middle East fall into crisis over Iran, the world's crude oil market as a whole will

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inevitably be affected. The most serious crisis for Japan would be a crisis in the entire Middle East."

As long as Japan-China relations remain strained, it will be impossible to realize the East Asia Community concept, Professor Bhagwati argued, saying:

"Leaders in Europe made efforts to eliminate war after the end of World War II. They had a lofty initiative. The Japanese people have bad memories about their experiences during the last war, while the Chinese have no deep insights. Asia must learn statesmanship from Europe."

Who will become Koizumi successor will affect future options for Japan's policy course. Professor Nye said: "The key point is who will be able to skillfully manage Japan's relations with neighboring countries. . . . Another key is how Japan will change its actions." As long as Japan-China summits cannot be held, stability in Asia will be impossible. Herein lies Japan's international responsibility.

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